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Illegal funding of contras by Army hinted

Secret unit had Swiss account, official says

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WASHINGTON — A secret, now disbanded Army unit established a Swiss bank account that may have been used illegally to finance aid to Nicaraguan rebels, a senior Defense Department official said yesterday, adding that the issue is under investigation by the special prosecutor probing the Iran-contra affair.

The defense official, who declined the use of his name, said that "we have information that would lead us to suspect that" two of the central figures in the scandal, Marine Lt. Col. Oliver L. North and retired Air Force Maj. Gen. Richard V. Secord, had access to the account, although they had no apparent official connection with the Army unit.

The Defense Department and the Army have said previously that their only link to the sale of arms to Iran was to supply anti-tank missiles and anti-aircraft missile parts to the CIA for transfer to Iran. Both the Pentagon and the Army have denied any connection to an alleged scheme by Colonel North and others to use proceeds from that sale to aid the contras at a time when Congress prohibited it.

The first public word of the secret bank account came in a CBS news report Monday night that said \$2.5 million was withdrawn from the account on one day in 1985, \$75,000 going to charter a ship to carry arms to the contras.

Pentagon spokesman Robert Sims said the report is being taken seriously and that the department is

cooperating with the special prosecutor. Mr. Sims said no such bank account was authorized by responsible Army or defense officials, and that the officials were unaware of it before the CBS report.

Code-named "Yellow Fruit," the unit was created in the fall of 1982 to provide cover for clandestine Army operations. It was disbanded in December 1983 after financial improprieties unrelated to the Iran-contra affair came to light. The secret account, at the Credit Suisse Bank in Geneva, apparently outlived the unit, however.

The financial troubles of the unit generated courts-martial and a civilian trial of officers involved. It was asserted at one of the courts-martial that the unit handled millions of dollars in the normal course of its business, but that no public accounting was made of the funds.

The senior official said yesterday that most of the Army money was accounted for but that the secret Swiss account was never uncovered.

This official indicated that if the CBS report about the amount in the account in 1985 is correct, the funds may have come from another source.

One of the most elusive elements of the Iran-contra operation has been the money trail. The defense official said the Pentagon, at the request of special prosecutor Lawrence E. Walsh, is leaving investigation of the Swiss account, which has been frozen, to him.

The courts-martial defendants from the Yellow Fruit financial imbroglio included Col. James Longhoffer. News reports at the time identified Colonel Longhoffer as a liaison officer between the CIA and the Pentagon.

According to the accounts, Colo-

nel Longhoffer worked with Colonel North on a plan to declare military equipment "surplus" before shipping it to the contras so that it would not violate a congressional ceiling on the value of military aid.

Colonel Longhoffer was sentenced to a year of hard labor at Fort Leavenworth, Kan., for dereliction of duty, disobeying an order and conduct unbecoming an officer. He began serving the term in September 1986. The sentence was commuted Nov. 25, the same day Colonel North was fired from the National Security Council staff.

Despite the many investigators who examined Yellow Fruit, including those of the FBI, it was only after CBS supplied the Defense Department with the account number that the Army was able to confirm that Business Security International, the front company for Yellow Fruit, established the Swiss account, the senior defense official said yesterday.

It was confirmed through William Golden, now a civilian employee of the Army but once a warrant officer attached to the Yellow Fruit unit, who was instrumental in bringing its irregularities to light.

The defense official confirmed that Mr. Golden signed a signature card for the account and was cooperating in the investigation. Asked why Mr. Golden did not alert investigators to the account earlier, the official said he may not have known of its importance.

Sun Washington Bureau reporter Nancy J. Schwerzler contributed to this article.